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SUBJECT: TRADE LINKAGES DRIVING SOUTH AFRICA'S BILATERAL
RELATIONSHIP WITH ANGOLA

Classified By: Ambassador Jendayi E. Frazer for reasons 1.4 (b & d)

11. (C) Summary: Conversations with several Angola watchers from government, business, and academia yielded the common theme that South Africa's relationship with Angola will over the coming years be defined by burgeoning trade linkages between the two. South African firms are investing heavily in nearly all sectors of the Angolan economy, and no one sees signs of this abating. Government-to-government relations are cordial and focused on facilitating increased economic integration, although underlying historical, cultural, and racial tensions will likely keep the two governments from cultivating close ties. No contacts gave much credence to speculation of a growing political rivalry between the two countries, as Angola's inward focus and South Africa's desire to bolster its global and regional influence are markedly divergent priorities over at least the next 10 years. End summary.

CHECKERED HISTORY STILL AFFECTS RELATIONSHIP

12. (U) South Africa's long and checkered history in Angola-particularly the pre-1994 apartheid government's attempts to undermine Angola's independence movement and, later, the MPLA government-still mars relations that are increasingly cordial but hampered by latent tensions. The apartheid regime's involvement began in the mid-1960s, when Pretoria began seconding military assets to the Portuguese military to help it combat the insurgency that began in 1961. After the MPLA took power after independence in 1975, South Africa swung its support to UNITA in an attempt to topple the communist-oriented government. From 1975 until the early 1990s, Pretoria plied UNITA with military assistance and, during the mid-1980s, sent South African forces to fight against Cuban troops backing the Angolan Government. Many of the South African combatants came from the infamous 32 "Buffalo" Battalion, which was mostly made up of native Angolan troops. Several thousand 32 Battalion members and their families still live in South Africa today.

13. (C) On the flip side, relations between the ANC in exile and the MPLA were never close. The Angolan Government was always too occupied with its own troubles to play a meaningful role in assisting the ANC or pressuring the apartheid regime through international and regional forums, playing the role of "free rider" in SADCC and the Frontline States. CEO of the South Africa-Angola Chamber of Commerce Roger Ballard-Tremeer also notes that underlying racial and ethnic tensions further undermined relations. (Comment: Ballard-Tremeer is a former diplomat who served as South Africa's Ambassador to Angola from 1994 to 1996 and retired in 2001 after more than 25 years of DFA service. He also serves as a private consultant to South African firms looking to invest in Angola.) He said that after the accession of Jose Eduardo dos Santos to the presidency in 1979, there was an increasing perception by ANC members that mulatto Angolans were beginning to wield an inordinate amount of power in the Angolan Government, creating mistrust and a mutual dislike between the two sides. These tensions have largely abated today. However, Ballard-Tremeer said that his successor as Ambassador to Angola told elements of the South African Government in the late 1990s that Angola's black people "were not free," a story corroborated by Dr. Sehlare Makgetlaneng, the southern Africa director at the Africa Institute of South Africa. Ballard-Tremeer also recounted an anecdote of how after the Angolan Government allowed the ANC's military arm, Umkhonto we Sizwe (MK), to open a camp on Angolan soil, the MK immediately surrounded the camp with landmines. This was not done to protect the camp from UNITA or the South Africans, but rather to keep its MPLA "allies" from stealing supplies and equipment.

14. (C) After South Africa's 1994 transition to majority rule and Angola's 1994-98 cessation of hostilities, relations improved beyond outright hostility but still remained cool. Ballard-Tremeer noted that the only substantive involvement of South Africa in Angola in the 1994-2002 period was in attempting to mediate between UNITA and the government, often sending a South African envoy (usually former general Constand Viljoen) to meet Savimbi secretly. Luanda knew of

these meetings and was not happy about them. Dr. Makgetlaneng of the Africa Institute of South Africa also noted that Luanda thought Pretoria was not doing enough during this time to rein in Anglo-American's dealings with UNITA, while Angola's involvement in the Democratic Republic of Congo was another bone of contention in the bilateral relationship. Nonetheless, relations during this time were characterized more by benign neglect than outright bitterness. Ballard-Tremeeer noted, for example, that limited visits by senior South African officials-notably Mandela and former Foreign Minister Alfred Nzo-were the result of health and security concerns rather than any anti-Angola agenda.

BUSINESS TIES BOOMING SINCE SAVIMBI'S DEMISE

15. (SBU) The February 2002 death of UNITA leader Jonas Savimbi marked a turning point in bilateral relations between Angola and South Africa, with the desire of South African firms to gain access to the untapped Angolan market spurring increased bilateral cooperation. Ballard-Tremeeer said that South African entrepreneurs started looking seriously at Angola almost immediately after Savimbi's death, and in March 2003 Ballard-Tremeeer founded the Angola-South Africa Chamber of Commerce to facilitate greater South African investment. F.J. Lourenco Fernandes, Angola's Trade Representative in South Africa, echoed similar sentiments. He said that he opened Angola's trade office in Johannesburg in 1996 but that there was virtually no interest in Angola until 2002. Since that time, the previously one-man operation has taken on six staff members to cope with the demands of liaising with the South African Government and local businesses. He also noted that the daily flight between Johannesburg and Luanda is nearly always full, mostly with businessmen.

16. (SBU) In terms of areas of investment, every contact points to nearly endless possibilities. Fernandes and Ballard-Tremeeer laid out a laundry list of sectors about which they have had discussions with South African firms:

--Infrastructure is probably the preeminent area for South African investment, with companies showing interest in rehabilitating buildings, roads, and railroads. Fernandes said five South African firms are working on rehab projects at the moment and that there were ongoing discussions on rehabilitation of the Benguela corridor.

--Fernandes said his government is keen to rejuvenate the long dormant tourist industry, and he said a South African company is at the moment rebuilding two hotels in Lobito.

--In agriculture, a South African firm has signed an agreement to cultivate sugar cane in Benguela, and he has had discussions with South African companies about investing in cotton, sunflowers, beans, and nuts.

--Fernandes also pointed to the mining industry, particularly the diamond sector, as an area ripe for South African investment.

--Ballard-Tremeeer said there is extensive interest by South African businessmen, including heavyweights like Tokyo Sexwale, in Angola's booming oil and gas sector, although little has of yet resulted. Pipeline reconstruction is another area of interest.

17. (SBU) Despite the extensive interest and an improved business environment, Ballard-Tremeeer notes that South African firms still encounter many problems when getting involved in Angola, particularly because they still do not have the proper understanding of Angola's business culture. The Angolans have a "Mediterranean" attitude toward business, based around the development of personal relationships, and Ballard-Tremeeer notes that it is not uncommon for an Angolan minister to host an "open house" for businessmen that begins at 11PM and lasts until dawn. These customs are quite foreign to South African businessmen, who, by contrast, work hard to establish contacts but are poor at maintaining them. Another difficulty is the fact that Angolans generally speak poor English, although this is changing among the younger generation, and South Africans speak even less Portuguese.

INVESTMENT DRIVING POLITICAL RELATIONSHIP

18. (C) Every contact Poloff spoke with described the political relationship as much better since 2002. Deputy President Jacob Zuma has visited Angola twice since 2002, most recently in May, while Angolan Foreign Minister Joao de Miranda visited Pretoria in 2003. Cecilia Baptista, Political Minister Counselor at the Angolan Embassy in Pretoria, waxed enthusiastic about the state of bilateral ties in the past two years, noting that the two countries have signed agreements dealing with agriculture, education,

and health. She said Pretoria has been extremely helpful in the health arena, providing extensive training for health care professionals. Baptista also noted that a reciprocal promotion of investment agreement was on the verge of being signed, an act that Ballard-Tremeer and others thought would prove a major boon to trade expansion. DFA Angola Desk Officer Willie de Groot (who has been on the desk for six years) shared similar sentiments about the stark improvement since 2002. He said this was helped in part by the attempts of current Angolan Ambassador Isaac Maria dos Anjos to cultivate bilateral ties, whereas his predecessor distrusted Pretoria. Nonetheless, de Groot still described Angola as "corrupt as hell," though he noted that pressure from the IMF and United States was changing this. (Comment: The American Chamber of Commerce in South Africa, based in Johannesburg, is also considering organizing a visit of interested members to Angola in 2005 in pursuit of commercial opportunities.)

19. (C) Dr. Makgetlaneng's view of these improved ties was that the business "tail" was wagging the political "dog." He opined that Pretoria's foreign policy is a delicate balancing act between not playing a domineering role in the region and also trying to open up regional markets for South African firms. In the case of Angola, the potential for business investment is so great that Pretoria treats Luanda with kid gloves, especially in the political arena, because it does not want to jeopardize these potential business ties. Further complicating the political and business relationship, he noted, is the fact that many firms interested in Angola are Black Economic Empowerment concerns, headed by businessmen with close ties to the ANC.

REGIONAL POLITICAL RIVALRY PROBABLY NOT IN THE CARDS

10. (C) Some analysts have pointed to Angola's amazing economic potential, newfound political stability, and powerful military as factors that could lead it to play a more prominent political role in the region, possibly even challenging South Africa's regional hegemony some day. No one Poloff spoke with gave this hypothesis any credence, with most contacts noting that Angola has shown no greater interest in engaging in international, pan-African, or regional forums since 2002. Ballard-Tremeer said that Angolan representatives still are often absent or non-participatory in multilateral meetings, while de Groot described Angola's ongoing tenure on the United Nations Security Council as a non-event from a South African standpoint. The only grouping in which Angola seemed to show much interest was in PALOP, the African lusophone union. Overall, contacts believed that Angola would continue to be motivated above all else by self-enrichment, avoiding greater multilateral commitments unless they made economic sense. Hence, South Africa's role as the regional superpower seems secure for the foreseeable future.
FRAZER